



Office of Risk Management
Internal Operational Assessment
Final Assessment Report Rel. 3



Office of Risk Management



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Revision	Revision Date	Comments
0	02/28/02	Draft
1	04/05/02	First Release of contents via presentation to Integrated Project Team
2	04/22/02	Second Release of contents via presentation to Integrated Project Team
3	05/17/02	Final Release of contents with Appendices



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Executive Summary

On July 31, 2001, the Division of Administration (DOA) issued a Request for Proposal (RFP) soliciting proposals to secure the services of a firm to conduct a comprehensive internal operational assessment of the Office of Risk Management. **METHODS** Technology Solutions, Inc. (**METHODS**) selected as the winning bidder and was authorized to begin the assessment project on January 15, 2002.

This assessment was designed to construct a factual representation of the Office of Risk Management with emphasis on identifying strengths and deficiencies relating to organizational competencies, managerial competencies, operational competencies and technical competencies. The Office of Risk Management is facing critical challenges and must develop new management strategies and optimize operational processes.

During this assessment, the **METHODS** Project Team:

1. assessed the readiness of the Office of Risk Management for organizational and technological change;
2. determined how to create an environment most conducive to realizing the benefits of these changes; and
3. identified deficiencies within the Office of Risk Management that threaten overall organizational effectiveness.

The following is a snapshot of the actions taken and deliverables that were generated based on the specific tasks and services requested by the RFP.

- ✓ Evaluation of Internal Control of Claims Administration
- ✓ Organizational Structure/ Staffing / Offices
- ✓ Review and Recommendation of the Funding Mechanism (Premiums versus Claims)
- ✓ Evaluation of Coverage Provided
- ✓ Review and Recommendations of Managerial Competency



- ✓ Evaluation of Safety / Loss Prevention Programs
- ✓ Review and Evaluation of Providers
- ✓ Recommendation of Performance Indicators/Measures (Benchmarking)
- ✓ Internal Review of Risk Litigation
- ✓ Evaluation of Underwriting Policies (Efficiency / Effectiveness of Rating Factors)
- ✓ Evaluation of the Validity of the Program and Mission and Clientele of the Program
- ✓ Review of Loss Payments and Claims Expenditures
- ✓ Evaluation and Recommendation of Financial/Accounting Policies

The end-result of this assessment is this Final Assessment Report (FAR), a viable collection of findings and recommendations that designed to have a positive impact on these competency areas now and in the future. The Final Assessment Report establishes an actionable and measurable business strategy to guide the Office of Risk Management process improvement efforts in order to achieve significant gains in organizational productivity and efficiency. Observations and recommendations are presented in summary format and are then supplemented by detailed narratives.

Project Overview

This assessment focused on the strategic and tactical effectiveness of the Office of Risk Management. **METHODS** built a multidisciplinary project team to ensure a high level of expertise, objectivity and innovation during the course of this project. This Louisiana-based team was comprised of risk management experts, organizational consultants, technology/business intelligence architects and accounting professionals.

The following project activities have been initiated and/or completed:

- Initial project planning
- Interviews with Office of Risk Management staff as well as interviews with individuals employed by customer agencies, boards and commissions
- Assessment of risk information management system, related custom applications and document imaging system
- Document reviews
- Data gathering to support benchmarking activities and generation of workflow diagrams

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- Generation of recommendations and projected cost-savings if recommendations are implemented

The remainder of this document will describe the actions taken and those that may still be ongoing to address all items identified in the Project Plan.

Integrated Project Team

An initial project timeline was generated and submitted for approval. The Integrated Project Team (IPT), consisting of management and non-management personnel internal and external to the Office of Risk Management, was formed. The IPT met in three general sessions to review the Project Plan and to discuss project status. Some minor modifications were made to both the Project plan and timeline based on feedback received from the IPT.

Members of the IPT included:

ORGANIZATION	NAME	ROLE
Division of Administration	Angele D. Davis	Project Sponsor / Oversight Officer
	Whitman Kling	Project Manager / Interim State Risk Director
Office of Planning & Budget	Robert Rachal	State Budget Manager
	Terrence Ginn	Budget Analyst
Office of Risk Management	Patricia Reed	Interim Assistant State Risk Director
Accounting	Pam Whiteside	Accountant Administrator 2
	Sandra Porter	Accountant Technician
Administration	Jackie Connors	IT Management Consultant 1
Claims	Ann Wax	State Risk Claims Officer
	Penny Buchanan	State Risk Claims Adjuster 2
	Kerry Dubea	State Risk Claims Manager
	Terry Grimball	State Risk Claims Adjuster 3
	Karen Jackson	State Risk Claims Manager
	Cindy Roman	Office Coordinator 2
Loss Prevention	Doris Copeland	State Loss Prevention Manager
	Richard Hollowell	State Loss Prevention Officer 2
	Henry Rayborn	State Loss Prevention Officer 2
	Jack Travis	State Loss Prevention Officer 2
Underwriting	Tommy Arbour	State Risk Underwriting Manager
	Melissa Harris	State Risk Underwriter 3

IPT status meeting were also attended by representatives from the Office of the State Inspector General, Louisiana Legislative Auditor, House Fiscal Division and the Senate Finance Committee.

Interviews



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Most unit managers and supervisors have been interviewed. Additionally, approximately thirty percent of remaining Office of Risk Management staff has been interviewed as well. These interviews have centered on general process definition and workflow as well as training and formal education of each staff member.

The **METHODS** Project Team has provided status to and/or interviewed staff of the Louisiana Legislature, the Department of Justice/Division of Risk Litigation, House Fiscal Division, the Office of Contractual Review, the Patients Compensation Fund, the Office of Planning and Budget, the Office of the Inspector General and several state agencies, boards and commissions. These interviews have centered on the ability of these entities to effectively interact with the Office of Risk Management.

Document Reviews

Appendix A contains a listing of all relevant documentation collected and reviewed during this project.

Data Gathering

In addition to the data obtained in written documentation, the **METHODS** Project Team requested extracts from the data maintained by the Office of Risk Management's enterprise risk management information system in addition to state payroll data maintained by the Office of Statewide Reporting and Accounting Policy (OSRAP).

Technology Inventory

The **METHODS** Project Team obtained an inventory of Office of Risk Management software components including a brief description of how each is used and by whom. The team was also given an in-depth review (from the perspective of several Office of Risk Management staff members) of the following software modules:

- Division of Administration
 - ❑ *Integrated Statewide Information Systems (ISIS)*
 - ❑ *Contract Financial Management System (CFMS)*
 - ❑ *Advanced Government Purchasing System (AGPS)*
 - ❑ *Statewide Lands and Buildings System (SLABS)*
 - *Real Estate Leasing System (REELS)*
 - *State Agency Movable Property System (STAMPS)*
 - ❑ *Cost of Risk Allocation (CORA) Support*
- Corporate Systems, Inc. Risk Management Information System
 - ❑ *Claim File Management Module*
 - ❑ *Legal Module*
 - ❑ *Premium Management System*

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- ❑ *Diary/Narrative Functions Module*
 - ❑ *Supervisor/Adjuster Reporting Module*
 - ❑ *TeleClaimNet*
 - ❑ *Corporate Systems Knowledge (CSK) application*
- Marshall & Swift / Boeckh (MS/B) (support for property appraisals)
- Micro Information Products (MIP), Inc.
 - ❑ *General Ledger and Accounts Receivables* modules to support processing by line of insurance
- *Advanced Imaging Systems*
 - ❑ *OnBase*, a document management application

The team also reviewed various applications developed in-house using *Microsoft Access*, *Microsoft Excel* and *Quicken*.



Findings and Recommendations

The following is a list of findings and related recommendations designed to facilitate quality improvements within the Office of Risk Management. These findings and recommendations highlight the challenges faced and the obvious implications of lack of action. There exists considerable potential within the Office of Risk Management to simultaneously improve internal operations, bolster staff morale and reduce loss costs. In some cases, it is likely that a reorganization of resources can provide immediate aid. Various processes and procedures can be streamlined to provide more staff time for essential functional activities. Technology can be updated to best practice standards without costing significantly more than the current license and maintenance fees for what appears to be a severely outdated and unresponsive risk management information system.

Findings illustrate the general culture within the organization. Recommendations are provided as guidelines to implement optimized processes and to cultivate a stronger commitment to customer service, teamwork and knowledge cross-pollination.



Implementation Strategy

The recommended implementation strategy is straight-forward. Ideally, the Division of Administration should take immediate steps to stabilize the executive management team at the Office of Risk Management. The State Risk Director is the ultimate champion and sponsor, the day-to-day evangelist for the organization vision and mission. This position should be filled with an individual who has a clear understanding of the current state of operational deficiency and has the skills, both technical and interpersonal, to maximize strengths and lead the organization forward.

Recommendations should be closely evaluated and prioritized for implementation. High on the list of priorities should be actions designed to enhance planning, communications and training (staff and client). Employee involvement at all levels in developing these strategies is critical to developing the level of commitment and *esprit de corps* desired within the organization. All priority recommendations identified in this report should move forward. Action Plans with appropriate delegation of tasks throughout the organization should be in place by the beginning of the next fiscal year. Timeframes should be aggressive, but realistic given recognition to the impact of funding constraints, poor technology support or cross-training needs. Communication should be on-going as part of the overall change management program. The need for change must be continually re-stated at every opportunity. Changes that are logical in their development will be embraced more quickly than other, perhaps controversial, recommendations. The more complex recommendations should be worked carefully through the staff to facilitate understanding, to develop potential barriers and problems, and to maximize employee buy-in. All implemented changes should occur as part of the current three-year strategic plan. Those most likely to champion the recommendations in this report are not necessarily entirely those now in key management positions.

The current management staff should be careful to not over-compensate for the mistakes of the past. Quick, "feel good" actions are usually short-lived successes. Care should be taken to weigh the benefits of short-term euphoria against long-term, substantial process improvement and longevity of service with the organization. Every successful implementation should be celebrated publicly and those responsible for the success of the implementation should receive appropriate recognition. Detailed journal activity memorializing the implementation process should be maintained. The entire process might be christened, as with "5 x 5" (five percent improvement in each of the next 5 years) or some similar program name that captures the essence of this movement towards quality and improved operating results.



Projected Cost Benefits

The following table summarizes recommendations, offers a degree of difficulty scale and quantifies expected net savings.